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National Farmers Union

Submission

to the

House of Commons Standing Committee on Agriculture

on the subject of

Bill C-54

An Act to amend the Farm Products Marketing Agencies Act

presented in

va, Ontario

March 19, 1992



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INTRODUCTION:

We welcome this opportunity to appear before your Committee to discuss proposed amendments to the Farm Products Marketing Agencies Act that would provide check-off powers to certain organizations on the sale of certain farm products for the purposes of "promotion and research".

We believe these proposed amendments under Part III open up a Pandora's box of problems and implications that demand serious scrutiny by this Committee.

Two years ago, Agriculture Canada circulated for comment a consultation paper on proposals for a National Check-off System which essentially is now reflected in Bill C-54.

Our views on the check-off issue were clearly outlined at that time to the Task Force conducting the consultation. We expressed a number of reservations about the proposal.

One year ago, on March 1, 1991, the then Agriculture Minister, Hon. Don Mazankowski, addressed a federal-provincial meeting of Agriculture Ministers in Regina at which he spoke to the topic of "Enhancing Competitiveness" and made reference to the intent to "implement a national check-off system in 1991".

In a letter of April 4, 1991 to Mr. Mazankowski, we sought clarification on a number of key questions related to the proposed check-off. We later received a response from the current Minister of Agriculture, Hon. Bill McKnight, in which he informed us that "of some 70 agri-food groups (to whom the consultation paper had been sent), only the National Farmers Union voiced opposition to the concept of national check-offs."

It was, he said, on the basis of the "near unanimous support" for national check-offs that the department was endeavouring to put a system in place.

This is a revealing commentary on the state of farm organization in Canada. We know how our members feel about suffering additional deductions from the sales of their products to be used for unspecified purposes. We find it impossible to believe that thousands more also do not feel somewhat "ripped-off" by check-offs over which they have little or no control.

Yet, the direction this legislation is taking will entrench powers of taxation in the hands of what may essentially be political organizations.

OUR VIEW ON CHECK-OFFS:

For the record and to be precise, the NFU supports commodity check-offs that are related to the direct marketing efforts of legitimate marketing agencies; that is, those agencies that operate within an orderly marketing framework to maximize producer returns and/or appropriately manage supplies and negotiate terms and conditions of trade by serving as a countervailing force in an imperfect marketplace.

Examples are national marketing programs operating under the Farm Products Marketing Agencies Act. The Canadian Egg Marketing Agency and the Chicken Producers Marketing Boards are examples. These national structures comprised of provincial boards have brought a considerable degree of price stability and supply management to the producers of these products. Marketing promotion and


research financed from producer check-offs of these agencies are a legitimate business cost to such producers.

The Canadian Wheat Board is an example of an agency that fulfils this criteria for wheat and barley. While it is a Crown Corporation, producers do finance its administrative operations (although last year may have been an exception for obvious reasons). Certainly "promotion and research" are part of its mandate. Few would argue that it does not enjoy the confidence and support of the vast majority of producers in its export marketing efforts.

In the case of the C.W.B., its main area of research is economic and market-oriented. While it is exempted in Bill C-54, a committee of the Board is currently studying the possibility of instituting a check-off on wheat for the purposes of scientific research into new varieties and plant breeding.

In a circumstance where plant research has traditionally been funded publicly, we look upon any such development as a form of off-loading research costs from the public domain to farmers directly. Increasingly, farmers will bear responsibility for financing a disproportionate share of the wheat research effort. While Ministers stoutly proclaim they do not intend to cut back on research funds, they have made no commitments to increase funding to keep pace with even the rate of inflation.

The Canadian Dairy Commission, although functioning in a different way, is another federal agency that has widespread producer support. Its relationship to producers is different and more complex than is that of the C.W.B., but its function in stabilizing domestic industrial milk prices and supplies, with federal financial assistance, is also generally appreciated by milk producers. Without it, there would only be chaos. Producers in surplus production contribute heavily through check-offs on their over-quota milk production to finance disposal of residual surplus products into export markets. We support this effort.



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The examples cited are of organizations and agencies which provide tangible evidence of stabilizing farm incomes through orderly one-desk selling, market intervention, when required, or through applying supply-management practices.

That is quite different than the "market promotion and research" proposals being advanced by commodity organizations, many of which also engage in political action on policy issues. Check-offs to such organizations, often low in membership numbers, will serve primarily to perpetuate their existence or convert them into "Commissions". Because all producers may be forced to contribute check-off funds to such Commissions, it will be interpreted as unanimous support for the policies of such organizations by some vested interest groups and governments.

Although the legislation specifies that the N.F.P. Council must conduct "hearings" to determine the degree of support for a check-off application, nothing is specified how extensive or thorough such hearings will be or what organizations may be accepted as representing each sector of primary producers.

For example, when Bill C-54 was introduced into the House of Commons, the Canadian Cattlemen's Association publicly expressed the assumption that it was a foregone conclusion it would automatically be accorded the check-off. It was indicated they would expect to extract approximately \$8 million from producers and a further \$700,000 from imports. The check-off funds, said the newspaper report*, would "be used for domestic promotion in beef's battle against other meats as well as for foreign market promotion and research".

Beef check-offs now run rampant in most provinces but to our knowledge they have accomplished nothing to improve producers' bargaining power or returns in the marketplace.

It is precisely this adversarial approach of pitting the interests of cattle producers against the interests of hog, sheep or chicken producers that we find

* Western Producer - "Checkoff Bill Introduced", Dec. 19/91, Barry Wilson

potentially offensive and cynical about this legislation. The C.C.A. has spent millions of producers' dollars in market promotion for beef over the years. In spite of these heavy expenditures, Statistics Canada reports per capita consumption of beef in Canada declined from 40.34 kg in 1982 to 37.55 kg in 1989. Our imports of dressed beef in 1991 were about 165 million kgs compared with exports of 80.3 million kgs. Are we promoting the consumption of foreign beef or is the mind-set that we don't care where it comes from as long as consumers eat beef in preference to other meats?

Is this really the best way for producers to have their money spent? Quite obviously there are a number of factors which influence beef consumption to a greater extent than does promotion.

Additionally, there is every possibility that producers of several different commodities could be "checked-off" on all of them - the "promotion" efforts of some likely to be in conflict with others. Is this a good way to encourage diversification?

We also have serious objections to the possibility of existing marketing board structures being converted into collection agencies to "piggy-back" promotion and research check-offs upon existing administrative check-offs for diversion toward commodity organizations or parallel "Commissions" structured to assume responsibility for "promotion and research". We particularly consider the "promotion" component of this proposal to be in large measure unjustified duplication since marketing agencies already engage in promotion.

There is no question that basic scientific research funding in Canada is becoming under-funded but we question the implications of enabling commodity organizations to collect and administer check-offs for research purposes. We consider research funding and establishment of priorities to be a public responsibility. A "sugar bowl" approach is not needed. The vision of representatives of the scientific community needing to report on research projects to dozens of funding donors doesn't make sense.

Research should be co-ordinated and centrally directed in order to avoid duplication and assure that research priorities and long-term financing commitments are upheld. Further, it is our view that agri-business sectors of the economy benefit at least as much from research findings as do farmers. Under Bill C-54, they definitely will be major winners. There is no doubt they would be the primary beneficiaries of promotion efforts.

"VOLUNTARY" VERSUS COMPULSORY CHECK-OFFS:

This legislation contains no provisions requiring the Council to conduct plebiscites of producers to determine their support for a proposed check-off. It is up to the Council to make a decision on check-off applications based on an assumption that a majority of producers of a product support a check-off merely because a commodity organization may say so. Such support should not be taken for granted. If it is taken for granted, it may suggest the Council doesn't consider producers as being competent to make rational decisions on whether they wish to have their production taxed.

The Council will have the power to determine whether any particular check-off should be voluntary or compulsory. This it might do on its own or on the strength of an applicant claiming its membership is in full support of a check-off.

Our observation has been that some provincial governments have evaded their responsibilities in determining farmer preference for a check-off by arbitrarily putting them in effect and thinly disguising them as "voluntary". This generally means that a farmer must pay the check-off at the time of sale and must later apply for a refund within a narrow time frame, once or twice a year.

Check-offs which compel farmers to pay without prior consent into a check-off fund upon delivery of a product and then compel them to seek a rebate at some later date at personal inconvenience and aggravation can hardly be referred to as "voluntary". It is instead a form of double compulsion - compelled to pay - compelled to apply for a rebate or face the prospect of financing an organization whose

policies may be contrary to the individual's views and beliefs. Many producers fail to apply for rebates because of the inconvenience involved which is precisely why the rules were designed that way. Some check-offs, we believe, could be challenged as being in violation of the Charter of Rights and Freedoms.

The proposed amendments in Bill C-54 provide no recourse for producers to directly challenge the legitimacy of a check-off either by petition or plebiscite. It is ironic that some commodity groups who subscribe to such tactics of harassment and enforcement are themselves often the strongest proponents for deregulation and "freedom of choice".

If the Council wished to implement a voluntary check-off, it should be based on the principle that the farmer at the time of sale of his product can elect to pay the check-off or decline to do so. This would be democratic, voluntary, and a true test on the degree of support for the check-off.

Accountability for most check-off funds is distant and impersonal. The individual may feel increasingly powerless to challenge entrenched trustees and well-established bureaucracies and organizational mandarins. Democratic involvement and rights are the first casualties and of no real importance within such structures.

While responsibility for accountability to producers who pay check-offs administered by commodity groups is vague, the legislation assumes the flavour of banana republic autocracy when it enables the Minister to directly request the Council to initiate check-offs on particular products [Paragraphs 7(1)a] without producer request or consent of any kind. This he might do upon the request of food industry groups who have a vested interest in "promotion and research".

While we are not recommending it be done, it would be more forthcoming of the Minister, if he wants more funding for research, to simply impose a research tax on all commodities and add it to existing research funding for dispensation. The proposed amendments are a thinly veiled effort to implicate producers as being the primary proponents of these amendments.

One outstanding question that is not answered by this legislation is how existing provincial check-offs will fit into any national check-off equation for a product. For example, "voluntary" canola check-offs currently exist in Alberta and Saskatchewan where they are administered by provincial Commissions. We do not believe producers in these provinces would tolerate a second direct check-off for national promotion and research purposes.

SECOND GENERATION MARKETING:

An additional concern relates to the modelling of this legislation after U.S.-style commodity check-offs and Commissions.

We have observed that U.S. producers have not been able to develop effective national orderly marketing structures such as those which exist for wheat and barley, dairy products, chicken, eggs and turkeys in this country.

We believe this legislation will seriously impede and frustrate any future efforts of Canadian producers to ever again create effective orderly marketing supply-managed boards for other products. Existing boards have already experienced serious pressures upon their structures and pricing functions as a consequence of the Canada-U.S. Trade Agreement. With the impending loss of the protection provided by Article XI of the GATT, the demise of supply-managed boards is, we believe, but a matter of time.

Second generation marketing, as called for in Agriculture Canada's "Growing Together" green paper, appear to be taking on the shape of promotion and research marketing Commissions under this legislation. Our structures will then be fully harmonized with those in the U.S. and politically acceptable because they will not be empowered to interfere in the operation of the corporate-controlled market economy.

A national soybean check-off in the U.S. replaced 26 voluntary state check-offs on July 1st, 1991. It will collect a check-off of 1/2 of 1% of net market price

for market promotion and research. One-half of the \$50 million to be collected will remain in each respective state while the other half will be administered by The United Soybean Board.

As commodity organizations are drawn into the web of government check-off legislation, it may provide them with financial stability but grassroots farmer concerns will become less relevant to their areas of interest. As a consequence, their legitimacy in representing farmers will become compromised and increasingly fictitious. Their officers face the real possibility of having their role as spokespersons for farmer interests reduced to the effectiveness of neutered lap-dogs. No longer will they dare risk nipping at the heels of government over policy issues. It is a sad commentary on the subversion of democratic ideals and the meaning of participatory democracy.

Farmers have seldom experienced more difficult times than the present. Thousands of farm families in serious financial crisis have been dispossessed. Thousands more stand on the brink of economic collapse. Outstanding farm debt continues at record levels.

Grain producers have, since 1985, been victimized in a vicious international grain price war in which export subsidies of the U.S. and the European Community have forced grain prices down to depression levels. The GATT now proposes to entrench the concept of export subsidies as a legitimate part of the Agreement, the levels of which will be negotiated and possibly extended in future agreements.

Approximately 38,000 producers of supply-managed products anxiously await the final decision of world governments on the fate of import quotas under Article XI of the GATT which has formed the cornerstone of success for Canadian farm marketing programs. The possibilities for losing the protection of import quotas are very real. Our government has said it will sign GATT regardless of the absence of Article XI. Tariffication will not enhance the economic stability of supply-managed products for long, if at all.

Against this background of difficulty, the federal government has assumed the character of Marie-Antoinette, who, at the height of the French Revolution recommended to the starving masses who were seeking bread that they should "eat cake".

Part III of Bill C-54 is a comparable proposal. It deliberately ignores taking the direction in which farmers can become more empowered to solve some of the serious economic and social problems that presently confront the farm community.

Instead, the government is offering legislative "cake" - a non-solution to the problems of producers who will increasingly be fighting for survival as new market pressures are forced upon them through the GATT, the CUSTA, and possibly soon, the NAFTA. To add insult to injury, it additionally proposes to send farmers the bill.

That, in a nutshell, describes how we feel about Part III of Bill C-54.

All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION

